

Message Text

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ACTION EA-12

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SUBJECT: AUSTRALIA'S NORTH WEST SHELF NATURAL GAS PROJECT

REF: (A) CANBERRA A-019, (B) 77 CANBERRA A-106 (BOTH NOTAL)
AND OTHERS

1. BEGIN SUMMARY: ON APRIL 18, SHELL DEVELOPMENT (AUSTRALIA)
PTY. LTD. OFFICIALS BRIEFED AMBASSADOR ALSTON AND EMBOFFS ON
CURRENT STATUS OF THE NORTH WEST SHELF PROJECT (FOR BACKGROUND
SEE REPAIRS). KEY ISSUES DISCUSSED WERE: NORTH WEST SHELF
JOINT VENTURERS CONCERN OVER DELAYS IN RECEIVING U.S.
APPROVAL FOR LNG IMPORTS; AND PROJECT INFRASTRUCTURE
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CONSTRUCTION. END SUMMARY.

2. WHEN VICE PRESIDENT MONDALE VISITS AUSTRALIA, PRIME
MINISTER FRASER WILL BE EXPRESSING HIS CONCERN ABOUT THE
U.S. DELAYS IN MAKING A DECISION ON AUSTRALIAN LNG IMPORTS
WHEN THERE IS LITTLE DOUBT THAT THE U.S. HAS A VIABLE WEST
COAST MARKET AS DEMONSTRATED BY PACIFIC GAS AND ELECTRIC

AND SOUTHERN CALIFORNIA GAS INTERESTS IN AUSTRALIAN LNG. AT THE RECENTLY CONCLUDED AUSTRALIAN PETROLEUM EXPLORATION CONFERENCE IN MELBOURNE, THE FOREGOING CONCERN WAS ALSO EXPRESSED TO THE RESOURCES ATTACHE BY OTHER COMPANY REPRESENTATIVES OF THE NORTH WEST SHELF JOINT VENTURE.

3. RIC CHARLTON, GENERAL MANAGER, AND LIONEL BEVIS, GOVERNMENT RELATIONS OFFICER, OF SHELL AUSTRALIA, EXPRESSED THE CONCERN OF THE NORTH WEST SHELF JOINT VENTURERS ABOUT U.S. FEDERAL AND STATE BUREAUCRATIC PROCEDURES THAT ARE DELAYING A DECISION ON WHETHER OR NOT TO APPROVE THE IMPORT OF AUSTRALIAN LNG INTO THE U.S. CHARLTON POINTED OUT THAT IT OFTEN TAKES THE U.S. UP TO FOUR YEARS TO MAKE A DECISION ON ENERGY IMPORTS AND THIS DELAY IS UNACCEPTABLE TO POTENTIAL ENERGY IMPORTERS TO THE U.S. CHARLTON DID SAY, HOWEVER, THAT HE WAS AWARE OF THE PROBLEMS INVOLVED IN APPROVING LNG IMPORTS INTO THE U.S., BUT HOPED ALL BUREAUCRATIC HURDLES COULD BE CLEARED EXPEDITIOUSLY TO ENABLE THE NORTH WEST SHELF JOINT VENTURERS TO PLAN MARKETING STRATEGIES.

4. THE LATEST ESTIMATE OF COSTS OF THE PROJECT IS DOLS AUST 2,500-3,000 MILLION IN 1977 DOLS AUST. THIS BREAKS DOWN AS FOLLOWS (IN MILLIONS OF DOLS AUST): OFFSHORE PLATFORMS AND PIPELINE 900; LIQUEFACTION PLANT 700; DEMESTIC GAS PROCESSING PLANT 100; LNG CARRIERS (TO JAPAN 800, TO U.S. 1300). THIS DOES NOT INCLUDE THE COST OF THE LIMITED OFFICIAL USE

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ONSHORE PIPELINES TO BE BUILT BY THE WEST AUSTRALIAN STATE GOVERNMENT.

5. SHELL OFFICIALS STATED THAT 51 TO 60 PERCENT OF THE DEVELOPMENT COSTS WOULD BE INVESTED IN AUSTRALIA. THE REMAINDER COULD COME FROM FRANCE, JAPAN, U.S., AND POSSIBLY U.K. IN THE CASE OF THE U.S., CHARLTON SAID THE U.S. IS THE OBVIOUS SOURCE FOR CRYOGENIC ENGINEERING PRODUCTS AND COMPRESSORS. CHARLTON ALSO SAID THAT THE PROJECT DEVELOPERS ARE ASSESSING THE AVAILABILITY OF FINANCING INCLUDING GOVERNMENT EXPORT FINANCING FACILITIES. IT APPEARS THAT FRANCE COULD BE ONE SOURCE FOR THE LNG CARRIERS. CHARLTON SAID THE JOINT VENTURES ARE PURSUING THE INFRASTRUCTURE DEVELOPMENT WITHOUT ANY BIAS AS TO WHERE THE EQUIPMENT AND EXPERTISE COMES FROM OTHER THAN SEEKING THE BEST FINANCIAL AND TECHNOLOGICAL DEAL, BUT OVVIOUSLY SOME COUNTRIES EXCELL IN CERTAIN PRODUCTS AS NOTED ABOVE.

6. CHARLTON ASSURED EMBASSY THAT WE WOULD BE KEPT ABREAST OF FUTURE DEVELOPMENTS IN THE PROJECT. RESOURCES ATTACHE HAS GOOD CONTACTS WITH ALL MEMBERS OF THE NORTH WEST SHELF JOINT VENTURE.

7. COMMENT: THERE IS NO QUESTION THAT JAPAN AND THE U.S. ARE THE PRINCIPAL MARKETS FOR AUSTRALIAN LNG, BUT IT NEEDS REEMPHASIZING THAT THE U.S. MUST REALIZE THAT JAPAN IS MOVING AHEAD MORE RAPIDLY IN PREPARING FOR THE EVENTUAL IMPORT OF AUSTRALIAN LNG. IT CANNOT BE ASSUMED THAT THE NORTH WEST SHELF JOINT VENTURERS PREFER THE U.S. MARKET TO THE JAPANESE MARKET, NOR INDEED U.S. EQUIPMENT SUPPLIERS.

8. EMBASSY WOULD APPRECIATE AN UPDATE ON THE CURRENT STATUS OF LNG TERMINAL SITE SELECTION IN CALIFORNIA AND THE STAGE AT WHICH THE IMPORT APPLICATION IS IN THE USDOE BUREAUCRACY. END COMMENT.

ALSTON

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